

We Need a Trust Fund for Oil Production Tax

We have been receiving between \$40 million and \$50 million in coal severance tax every year. One half of this tax is dedicated to the Constitutional Coal Trust because of a decision of the people in 1976 to set aside one half of the tax for the use of future generations.

The Oil and Gas Production Tax is currently yielding close to \$100 million a year (even with the 18 month holiday).

There is no reason why one half of this Oil and Gas Production Tax should not also be placed in a Constitutional Trust in the same manner as the coal tax. The reasons that persuaded 63% of the voters in 1976 to set aside one half of the coal tax for future generations apply equally to the Oil and Gas Production Tax.

We now have a Constitutional Coal Trust Fund that has approximately \$880 million which produces over \$40 million of interest income every year for use as the legislature has designated. And, it is growing larger every year. Already it has exceeded the total amount of the annual coal tax collections in 14 of the last 20 years. This is a huge benefit and it will continue indefinitely, even after the coal is gone.

The Constitutional Coal Trust Fund was specifically designed to protect future generations. When the enormous potential to Montana from one of the world's largest deposits of coal became apparent in the early 1970's, the people of Montana were mindful of another huge potential mineral development that once was available to Montana in the Treasure State. The huge deposits of copper, silver and gold in the richest hill on earth in Butte made the Copper Kings and their out of State stockholders fabulously wealthy. However, they did not leave that wealth in Montana.

The Copper Kings endowed the Los Angeles Symphony Orchestra, built the library at Stanford University, built the University of Virginia law school in Charlottesville, and provided funds to establish the Corcoran Art Gallery in Washington, D.C. But the only thing I could find that directly benefited the people of Montana was William Clark's contribution of \$20,000 to build a theater inside the walls of the State Prison. It is true that William Clark left a few dollars to the University of Montana and was largely responsible for Columbia Gardens, which did benefit the people of Montana. But the point remains, most of the fabulous wealth from Copper was extracted from Montana and the profits were sent out of State.

And what does Montana have to show for it now? A big hole in the ground filled with toxic water; Montana has the largest super fund cleanup site in the United States. Montana was treated as a colony; almost all of the benefit was shipped out of State while we were left with the adverse impacts and the cleanup. The people were determined not to let that happen again with Coal. Hence, a coal tax of 30% was enacted in 1975 (later reduced to 15%). And 50% of the coal tax was set aside for the

benefit of future generations by the adoption of Section 5 of Article IX of the Montana Constitution by the people in 1976. It can't be invaded without a vote of 3/4ths of each House of the Legislature.

This reasoning applies with equal force to another huge potential mineral development from the Treasure State, namely, oil and gas in the Bakken. What will we have to show for this valuable resource once it is gone? Will we be able to look our future generations in the eye and say we did not squander their inheritance? If we set aside ½ of the oil and gas production tax and constitutionally protect it for our future generations as we did with coal, we will have a clear conscience. This is exactly what we should do.

At the present time two legislators have requested a draft bill for such a proposal: Rep. Tom Jacobson (D. Great Falls) and Sen. Christine Kaufman (D. Helena). Neither have introduced a bill yet, perhaps because they sense this session of the legislature may not react favorably. If we want to protect future generations, we can't wait until most of the oil is pumped out and sold out of State.

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